

A STUDY ON THE EC BUSINESS, T-MALL AND JINGDONG-MALL IN CHINA

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ABSTRACT

In 1997, Chinese government put forward the idea to promote the information process of the national economy through the development of the internet industry. And in 2002, it was determined to focus on the development of e-commerce. The scale of the China EC market has increased rapidly in a speed about twice each year from 2004 to 2012. Now it is a comparably large industry in China.

Why did the EC market spread so quickly? What will the result be with this development?

We will investigate the internet use, the logistics, etc. in this area to clarify the relationship between the development of the EC market and the hard environment, since they are the preliminary stage of the EC market. Then will make further investigation in transaction scale, growth potential, transaction method etc. in China EC market in time series to clarify the development and result of EC market in China.

Trends of users of the Internet, which is a precursor to the EC market, are on the same track, and have been growing rapidly since around 2004 and have been on a scale of about seven times so far to date. Two representatives of B to C, T-mall and Jing dong-mall, occupy more than 80% and are almost monopolistic. The correspondence is different between T-mall and Jing dong-mall. Management methods and policies such as market development method, anti-counterfeiting measures logistics, quality assurance, quality control and the like also differ in the two companies. T-mall and Jing dong-mall have adopted their respective features and sales methods, compared the management of both with SWOT analysis.

T-mall have the merit of dealing quickly with market expansion, but on the other hand problems remain in the system construction. There also is a problem that cannot respond to rapid market growth, while Jing dong-mall takes time to construct interior mechanism.

As the B to C market is saturated in urban areas currently, attention will be paid to countermeasures such as development in rural market, logistics, after-sales service etc. in the future. The exploitation in these new fields will become a point of touch for both companies.

KEYWORDS: EC Business, T-Mall, Jing Dong-Mall & B to C Market

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INTRODUCTION

Background

In 1997, Chinese government put forward the idea to promote the information process of the national economy through the development of the internet industry. And in 2002, it was determined to focus on the development of e-commerce. The scale of the China EC market has increased rapidly in a speed about twice

each year from 2004 to 2012. Now it is a comparably large industry in China.

Comparison between the World B to C Market Size and Chinese Market is as Table 1.

As ranking in the following table, the B to C of first nine countries all got growth of more than ten percent in e-commerce market for years, especially China showed a high growth rate over the previous year.

Table 1: B to c EC Market Size Growth Rate in Some Countries (2015)

Ranking	Countries	Market Size (Billion USD)	Growth Rate
1	China	6720.1	42.1%
2	USA	3406.1	14.2%
3	UK	993.9	14.5%
4	Japan	895.5	14.0%
5	Germany	618.4	12.0%
6	France	426.0	11.1%
7	South Korea	388.6	11.0%
8	Canada	268.3	16.8%
9	Brazil	194.9	15.5%
10	Australia	190.2	9.3%

Source: Created from e Marketer Dec 2015 (excluding travel and tickets)

The above table indicates that the EC market size in China is much larger than in other countries. Also the growth rate is much higher than others.

In China the main organizations of EC market are T-mall and Jing dong-mall.

T-mall is a Chinese-language website for B to C online retail, spun off from Tao Bao mall, operated in China by Alibaba Group. Jing dong-mall is one of the largest B to C online retailers in China by transaction volume and revenue, a member of the Fortune Global 500, and a major competitor to Alibaba-run T-mall.

B to C transaction size in China's Internet mail-order market exceeded CtoC for the first time in 2015. The largest platform is T-mall, took 51.3% market share, and Jing dong-mall, the typical type of direct marketing, took 31.2% market share.

Why did the EC market spread so quickly? What will the result be with this development?

We will investigate the internet usage and the logistics, etc. in this area to clarify the relationship between the development of the EC market and the hard environment, since they are the preliminary stage of the EC market. Then we will make further investigation in transaction scale, growth potential, transaction method etc. in China EC market in time series to clarify the development and result of EC market in China.

ANALYSIS

Trends of users of the Internet, which is a precursor to the EC market, are on the same track, and have been growing rapidly since around 2004 and have been on a scale of about seven times so far to date. Two representatives of B to C, T-mall and Jing dong-mall, occupy more than 80% and are almost monopolistic. The correspondence is different between T-mall and Jing dong-mall. Management methods and policies such as market development method, anti-counterfeiting measures, logistics, quality assurance, quality control and the like also differ in the two companies. T-mall and Jing dong-mall have adopted their respective features and sales methods, compared the management of both with

SWOT analysis.

In 2015, the market size had a great progress in China. Not only the market size grow rapidly, but also the EC client made a large growth. The EC users made a great number of 460 million persons, an increase of 21.1% above the previous year. Not only the users but also the employees directly serving for the EC market reached 2.6 million persons, an increase of 4% above the previous year. These are great motive powers for promoting the development of EC market in China.

Because of the rapid growth in EC market, the express delivery enterprises made large income. According to the data of EC study center, the income of express delivery enterprises reached 290 billion yuan RMB (about 42 billion US dollars) in 2015, an increase of 33% compared with previous year.

Cross-border EC transaction also got good harvest. In 2015, the cross-border EC transaction reached 5500 billion yuan RMB (about 798 billion US dollars), an increase of 31% compared with previous year.

All above indicates that the EC market developed rapidly in 2015. In fact, all relative aspects with EC got great progress in recent years. Such as the transaction volume made average growth of 27.4% covering the year 2011-2015, the employees serving directly in EC market 9.7%, and the income of express delivery enterprises 39.8%. So the development of EC market drives the other relative aspects and mutually the others helped EC transaction.

Table 2: T-Mall SWOT Analysis

Strengths: Powerful platform support Numerous merchants and assured products The dense traffic Service advantages	Weakness: Huge industrial chain and high operation cost The backend supply chain and logistics need to be improved
Opportunity: National policy support The Internet popularization and the online shoppers increase Computer technology development and the network shopping security improved	Threat: The fierce competition Private information of shoppers lets out High pressure of price competition and low business profitability Logistics service ability improve slowly

Table 3: Jing Dong-Mall SWOT Analysis

Strengths: As the largest B to C market 3C online shopping professional platform in China, the traffic, click-through rate, sales and visibility and influence of Jing dong Mall in the industry are very large. Having a strong financial support. Having its own courier company, and strong logistics support.	Weakness: Paying too much attention on 3C market. Having a small types of goods and a low diversification.
Opportunity: The growing number of Chinese internet users. The expanding scope of business.	Threat: Strength of competitors Competition of B to C market will become fierce more and more.

From the above mentioned data, we can make further analyses.

Both T-mall and Jing dong-mall are new organizations established as the spread of internet, computers and mobile phones. The two malls developed so quickly mainly by modern technology and also big purchasing power. In China, these

two conditions can all be fulfilled because of the large resource of population and new technical equipment. Therefore, it is inevitable to become a tendency for quick development of EC in a large country as China.

Both T-mall and Jing dong-mall have their own advantages and disadvantages because of different management and frame of organizations. No matter how they run the two malls respectively, they must use their advantage as much as they can. On the contrary, they must pay more attention to their own disadvantages or they will make mistakes.

Though the two malls both have there own advantages and disadvantages, they all made good progress or rapid development. This depends on the outer environment in a large extent and of course they must take technical method in running the organizations.

The China B to C market has a high share of T-mall and Jing dong-mall, and both companies deal many items. Regarding imitation, T-mall adopts the Alipay system such as opening reviews and compensation system. In addition, T-mall outsources commodity management, logistics, etc. to the outside, and builds systems such as opening reviews, inspection system, compensation system and responds to users. Jing dong-mall conducts its own purchasing, management, sales and logistics in its own company and pledges them all to themselves.

Alipay, an escrow-based online payment platform owned by Alibaba Group, is the preferred payment solution for transactions on T-mall.com.

Regarding logistics as well, the two companies are different. T-mall use the tactic that adopts a method using a major logistics company and increases the market share by specializing in specialty fields. Jing dong-mall employs its own logistics, but its major factor is the ability to avoid problems such as loss or theft.

T-mall have the merit of dealing quickly with market expansion, but on the other hand problems remain in the system construction. There also is a problem that cannot respond to rapid market growth, while Jing dong-mall takes time to construct interior mechanism.

As the B to C market is saturated in urban areas currently, attention will be paid to countermeasures such as development in rural market, logistics, after-sales service etc. in the future. The exploitation in these new fields will become a point of touch for both companies.

TENDENCY OF EC MARKET

With the popularity of smart phones and tablets, EC customers increasingly use mobile devices search brand and product on the internet, checking the assessment and the ratings, comparison and the final purchase. Mobile phone is becoming a valuable EC business channels. Companies must provide customers with a seamless shopping experience, whether shopping online or via mobile devices.

In the past, customers usually shopping offline to instead of online, for fear of trade data and customer data be exposed. But as the trading platform provides customers more and more value-added services, such as finance and trade facilitation, customers realized carrying the offline transaction to online more convenient and effective for itself, so they are willing to make shopping online.

At present, EC market is evolution from a single service platform to the integrated service platform and in the future, a network will gradually build up with complex, financial, electronic platform, providing customers with

comprehensive, one-stop trade, finance, logistics, warehousing, information telecommunications and other integrated services. While providing diversified service, it is a shift that has been made from the evolution of selling products to customers with a full set of solutions.

While providing information flow, capital flow, logistics and other services in the future, providers with corresponding financial services, logistics and technical service can also produce trade between each other, thus forming a coexistence of ecosystem.

Cross-border EC will become a new growth point of foreign trade. With the fierce competition, price wars and homogeneity of traditional cross-border EC, the business model and growth pattern are facing a severe test. With the characteristics of grassroots entrepreneurship and price war, the first wave of cross-border electricity has been in the past, a second wave of cross-border electrical business boom will be ushered in.

At present, the development of main EC business has tended to be saturated, key development will become a hot electricity in future, as the relative EC business, such as logistics, tourism, intelligent hardware, data, Internet financial services, have been expanding.

RESULTS

Through the above analyses on EC market, T-mall and Jing dong-mall in China, we could get the following conclusion.

Rapid development of EC market is an inevitable trend. As long as social and economy develop, it is the need to have a suitable pattern to provide support. EC market is the pattern erected accompany with development of social and economy. So it can grow rapidly.

Though T-mall and Jing dong-mall both have advantages and disadvantages, they all develop quickly in running the enterprises as paying more attention to their disadvantages.

CONCLUSIONS

EC market cannot develop without the good environment. Internet, logistics and purchasing power are very important to the development of EC market and they support mutually.

As time goes, the developing trend of EC market will grow continually. The development maybe not as fast as before, but the growth will much more properly with the social and economy growth

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